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Public Law 104-7
104th Congress

An Act

To amend the Internal Revenue Code of 1986 to permanently extend the deduction for the health insurance costs of self-employed individuals, to repeal the provision permitting nonrecognition of gain on sales and exchanges effectuating policies of the Federal Communications Commission, and for other purposes.

Apr. 11, 1995

[H.R. 831]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. PERMANENT EXTENSION AND INCREASE OF DEDUCTION FOR HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS.

(a) **PERMANENT EXTENSION.**—Subsection (l) of section 162 of the Internal Revenue Code of 1986 (relating to special rules for health insurance costs of self-employed individuals) is amended by striking paragraph (6).

(b) **INCREASE IN DEDUCTION.**—Paragraph (1) of section 162(l) of the Internal Revenue Code of 1986 is amended by striking “25 percent” and inserting “30 percent”.

(c) **EFFECTIVE DATES.**—

26 USC 162 note.

(1) **EXTENSION.**—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 1993.

(2) **INCREASE.**—The amendment made by subsection (b) shall apply to taxable years beginning after December 31, 1994.

SEC. 2. REPEAL OF NONRECOGNITION ON FCC CERTIFIED SALES AND EXCHANGES.

(a) **IN GENERAL.**—Subchapter O of chapter 1 of the Internal Revenue Code of 1986 is amended by striking part V (relating to changes to effectuate FCC policy).

26 USC 1071.

(b) **CONFORMING AMENDMENTS.**—Sections 1245(b)(5) and 1250(d)(5) of the Internal Revenue Code of 1986 are each amended—

(1) by striking “section 1071 (relating to gain from sale or exchange to effectuate policies of FCC) or”, and

(2) by striking “1071 AND” in the heading thereof.

(c) **CLERICAL AMENDMENT.**—The table of parts for such subchapter O is amended by striking the item relating to part V.

26 USC prec. 1001.

(d) **EFFECTIVE DATE.**—

26 USC 1071 note.

(1) **IN GENERAL.**—The amendments made by this section shall apply to—

(A) sales and exchanges on or after January 17, 1995, and

(B) sales and exchanges before such date if the FCC tax certificate with respect to such sale or exchange is issued on or after such date.

(2) **BINDING CONTRACTS.**—

(A) IN GENERAL.—The amendments made by this section shall not apply to any sale or exchange pursuant to a written contract which was binding on January 16, 1995, and at all times thereafter before the sale or exchange, if the FCC tax certificate with respect to such sale or exchange was applied for, or issued, on or before such date.

(B) SALES CONTINGENT ON ISSUANCE OF CERTIFICATE.—

(i) IN GENERAL.—A contract shall be treated as not binding for purposes of subparagraph (A) if the sale or exchange pursuant to such contract, or the material terms of such contract, were contingent, at any time on January 16, 1995, on the issuance of an FCC tax certificate. The preceding sentence shall not apply if the FCC tax certificate for such sale or exchange is issued on or before January 16, 1995.

(ii) MATERIAL TERMS.—For purposes of clause (i), the material terms of a contract shall not be treated as contingent on the issuance of an FCC tax certificate solely because such terms provide that the sales price would, if such certificate were not issued, be increased by an amount not greater than 10 percent of the sales price otherwise provided in the contract.

(3) FCC TAX CERTIFICATE.—For purposes of this subsection, the term “FCC tax certificate” means any certificate of the Federal Communications Commission for the effectuation of section 1071 of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of this Act).

SEC. 3. SPECIAL RULES RELATING TO INVOLUNTARY CONVERSIONS.

(a) REPLACEMENT PROPERTY ACQUIRED BY CORPORATIONS FROM RELATED PERSONS.—

(1) IN GENERAL.—Section 1033 of the Internal Revenue Code of 1986 (relating to involuntary conversions) is amended by redesignating subsection (i) as subsection (j) and by inserting after subsection (h) the following new subsection:

“(i) NONRECOGNITION NOT TO APPLY IF CORPORATION ACQUIRES REPLACEMENT PROPERTY FROM RELATED PERSON.—

“(1) IN GENERAL.—In the case of—

“(A) a C corporation, or

“(B) a partnership in which 1 or more C corporations own, directly or indirectly (determined in accordance with section 707(b)(3)), more than 50 percent of the capital interest, or profits interest, in such partnership at the time of the involuntary conversion,

subsection (a) shall not apply if the replacement property or stock is acquired from a related person. The preceding sentence shall not apply to the extent that the related person acquired the replacement property or stock from an unrelated person during the period described in subsection (a)(2)(B).

“(2) RELATED PERSON.—For purposes of this subsection, a person is related to another person if the person bears a relationship to the other person described in section 267(b) or 707(b)(1).”

(2) **EFFECTIVE DATE.**—The amendment made by paragraph (1) shall apply to involuntary conversions occurring on or after February 6, 1995.

26 USC 1033
note.

(b) APPLICATION OF SECTION 1033 TO CERTAIN SALES REQUIRED FOR MICROWAVE RELOCATION.—

(1) **IN GENERAL.**—Section 1033 of the Internal Revenue Code of 1986 (relating to involuntary conversions), as amended by subsection (a), is amended by redesignating subsection (j) as subsection (k) and by inserting after subsection (i) the following new subsection:

“(j) SALES OR EXCHANGES TO IMPLEMENT MICROWAVE RELOCATION POLICY.—

“(1) **IN GENERAL.**—For purposes of this subtitle, if a taxpayer elects the application of this subsection to a qualified sale or exchange, such sale or exchange shall be treated as an involuntary conversion to which this section applies.

“(2) **QUALIFIED SALE OR EXCHANGE.**—For purposes of paragraph (1), the term ‘qualified sale or exchange’ means a sale or exchange before January 1, 2000, which is certified by the Federal Communications Commission as having been made by a taxpayer in connection with the relocation of the taxpayer from the 1850–1990MHz spectrum by reason of the Federal Communications Commission’s reallocation of that spectrum for use for personal communications services. The Commission shall transmit copies of certifications under this paragraph to the Secretary.”

(2) **EFFECTIVE DATE.**—The amendment made by paragraph (1) shall apply to sales or exchanges after March 14, 1995.

26 USC 1033
note.

SEC. 4. DENIAL OF EARNED INCOME CREDIT FOR INDIVIDUALS HAVING EXCESSIVE INVESTMENT INCOME.

(a) **IN GENERAL.**—Section 32 of the Internal Revenue Code of 1986 is amended by redesignating subsections (i) and (j) as subsections (j) and (k), respectively, and by inserting after subsection (h) the following new subsection:

“(i) DENIAL OF CREDIT FOR INDIVIDUALS HAVING EXCESSIVE INVESTMENT INCOME.—

“(1) **IN GENERAL.**—No credit shall be allowed under subsection (a) for the taxable year if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds \$2,350.

“(2) **DISQUALIFIED INCOME.**—For purposes of paragraph (1), the term ‘disqualified income’ means—

“(A) interest or dividends to the extent includible in gross income for the taxable year,

“(B) interest received or accrued during the taxable year which is exempt from tax imposed by this chapter, and

“(C) the excess (if any) of—

“(i) gross income from rents or royalties not derived in the ordinary course of a trade or business, over

“(ii) the sum of—

“(I) the deductions (other than interest) which are clearly and directly allocable to such gross income, plus

“(II) interest deductions properly allocable to such gross income.”

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26 USC 32 note.

(b) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 1995.

SEC. 5. EXTENSION OF SPECIAL RULE FOR CERTAIN GROUP HEALTH PLANS.

26 USC 162 note.

Section 13442(b) of the Omnibus Budget Reconciliation Act of 1993 (Public Law 103-66) is amended by striking “May 12, 1995” and inserting “December 31, 1995”.

SEC. 6. STUDY OF EXPATRIATION TAX.

(a) **IN GENERAL.**—The staff of the Joint Committee on Taxation shall conduct a study of the issues presented by any proposals to affect the taxation of expatriation, including an evaluation of—

(1) the effectiveness and enforceability of current law with respect to the tax treatment of expatriation,

(2) the current level of expatriation for tax avoidance purposes,

(3) any restrictions imposed by any constitutional requirement that the Federal income tax apply only to realized gains,

(4) the application of international human rights principles to taxation of expatriation,

(5) the possible effects of any such proposals on the free flow of capital into the United States,

(6) the impact of any such proposals on existing tax treaties and future treaty negotiations,

(7) the operation of any such proposals in the case of interests in trusts,

(8) the problems of potential double taxation in any such proposals,

(9) the impact of any such proposals on the trade policy objectives of the United States,

(10) the administrability of such proposals, and

(11) possible problems associated with existing law, including estate and gift tax provisions.

(b) **REPORT.**—The Chief of Staff of the Joint Committee on Taxation shall, not later than June 1, 1995, report the results of the study conducted under subsection (a) to the Chairmen of the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate.

Approved April 11, 1995.

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LEGISLATIVE HISTORY—H.R. 831:

HOUSE REPORTS: Nos. 104-32 (Comm. on Ways and Means) and 104-92 (Comm. of Conference).

SENATE REPORTS: No. 104-16 (Comm. on Finance).

CONGRESSIONAL RECORD, Vol. 141 (1995):

Feb. 21, considered and passed House.

Mar. 24, considered and passed Senate, amended.

Mar. 30, House agreed to conference report.

Mar. 31, Apr. 3, Senate considered and agreed to conference report.

WEEKLY COMPILATION OF PRESIDENTIAL DOCUMENTS, Vol. 31 (1995):

Apr. 6, Presidential statement.